

**Medicaid Capped Funding: Findings and Implications for Missouri**  
*April 5, 2017*

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On March 24, 2017, the House of Representatives determined not to move ahead with the American Health Care Act (AHCA), its proposal to repeal and replace the Affordable Care Act (ACA). The AHCA included provisions that would have capped federal Medicaid funds through per capita caps and block grants, and reduced or eliminated federal funding for the expansion of Medicaid to low-income adults. While the AHCA failed to advance, these Medicaid proposals are likely to remain a priority for Congressional leadership. To assist states in evaluating how they might fare under a capped funding model, Manatt Health analyzed state-specific data for all 50 states and the District of Columbia. The Missouri-specific data provided here offers insight into how base payment calculations and trend rates, as well as state policies and demographics, could impact Missouri under capped funding proposals. The data are drawn from a tool kit prepared by Manatt Health for the Robert Wood Johnson Foundation's State Health Reform Assistance Network.<sup>1</sup>

Medicaid capped funding proposals are designed to provide the federal government with greater budget certainty and to reduce federal spending, and thereby reduce federal Medicaid funding for states, especially in the out years. In several recent proposals, including the AHCA, the size of the cap for each state is set based on its historical spending in Medicaid, trended forward by an annual, national "trend rate," rather than a state-specific trend. As a result, under a capped financing formula, federal Medicaid funding to states would no longer respond automatically to increases in state-specific health care expenditure growth, break-through therapies, public health crises, or, depending on the design of the cap, increases in enrollment due to growing populations, changing demographics, economic downturns or other factors. States might have additional flexibility to reduce eligibility, benefits or provider payment rates, but ultimately they bear the risk of costs exceeding the cap.

**Data Considerations**

This memo relies on the most recent publicly available data, and in some instances, it references 2011 data. While a state might have more recent data on its own program spending, 2011 is the most recent year for which per enrollee spending and historical growth rates are publicly available by eligibility group for all states. The lack of more recent 50-state data is challenging, but the comparison across states is helpful. In any event, faced with the lack of more recent 50-state data, Congress will likely need to rely on older and aggregated data in setting capped funding levels.

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<sup>1</sup> <http://statenetwork.org/resource/data-points-to-consider-when-assessing-proposals-to-cap-federal-medicaid-funding-a-toolkit-for-states/>

## Key Data Findings

- **Under a capped funding model, Missouri could be disadvantaged relative to states that receive federal funding for the ACA Medicaid expansion.** Expansion states and states with higher eligibility levels could see higher funding allowances than non-expansion states with respect to any block grant proposal.
  - The 31 expansion states received nearly \$73 billion in additional federal funding in 2016.
  - Missouri has the 4<sup>th</sup> lowest eligibility level for adults in the country (18% FPL for parents, 0% FPL for childless adults), which contributes to the risk of a relatively small allotment under any model using a block grant.
- **Missouri has an above average total per capita Medicaid spending level relative to other states.** Although nearly all capped funding proposals start with a state's historic spending, under some proposals, Missouri may be expected to move the state's per capita expenditures toward the median over time.
  - Missouri ranked 16<sup>th</sup> among states in total per capita Medicaid spending per enrollee. In fiscal year 2011, average spending was \$7,095 per enrollee, well above the national average of \$6,502.
  - Missouri has relatively high spending for children: \$2,978 per child compared to a national average of \$2,492 (12<sup>th</sup> highest), though below average spending for the disabled (27<sup>th</sup> in nation), the aged (28<sup>th</sup> in nation) and adults (29<sup>th</sup> in nation).
- **Between 2000-2011, Missouri's Medicaid spending on a per capita basis grew more rapidly for all eligibility groups than most other states, and faster or on par with the national trend rates typically advanced in capped funding proposals.** If Missouri's historical spending rates are indicative of its future spending rates, over time federal Medicaid funding under a capped funding proposal would be short of Missouri's needs.
  - Missouri's average annual per enrollee spending growth was above average for all eligibility groups from 2000 - 2011: 11.4% for adults (4<sup>th</sup> in nation), 7% for the children (10<sup>th</sup> in nation), 4.8% for the disabled (21<sup>st</sup> in nation), and 3.8% for the aged (28<sup>th</sup> in nation).
  - Missouri's Medicaid spending growth on these groups generally outstripped per capita GDP (2.9%), CPI (2.5%), and medical CPI (4%) during that period.
- **Missouri relies on DSH and UPL payments; depending on how they are treated in a capped funding approach, these federal funds may be at risk.** This is a critical issue for Missouri to monitor.
  - DSH and UPL payments made up 8.5% of all Missouri's Medicaid benefit spending in 2015.
- **Missouri Medicaid spending is disproportionately for seniors and people with disabilities.** As a result, capped funding is likely to disproportionately impact these populations.
  - In FY 2011, 66% of Missouri's Medicaid spending was for elderly and disabled enrollees even though they accounted for 27% of the State's Medicaid enrollment.

- **Missouri's State budget relies heavily on federal Medicaid funding.** Medicaid represents the single largest source of federal funding for the State. A loss of federal Medicaid funding could shift costs to the State, posing a threat to the Missouri budget and other State priorities.
  - Federal Medicaid funding (nearly \$6.3 billion in 2015) makes up approximately 60% of all federal funding in Missouri's budget – the 3<sup>rd</sup> highest share among non-expansion states. By comparison, the next largest source of federal funds—for primary and secondary education—is 12.8% of the federal funds received by the State.